

<b>Agency:</b>	<b>107 Health Care Authority</b>
<b>Decision Package Code/Title:</b>	<b>ML2-LG Support HBE Shared Costs</b>
<b>Budget Period:</b>	<b>2015 Supplemental Submittal</b>
<b>Budget Level:</b>	<b>ML2 – Maintenance Level</b>

## **Recommendation Summary Text**

The Health Care Authority (HCA) requests supplemental funding of \$4,278,000 (\$1,091,000 Health Benefit Exchange Account-State) for the Medicaid and Children’s Health Insurance Program (CHIP) allocated operational costs from the Washington Health Benefits Exchange (HBE). The HBE operates and maintains the HealthPlanFinder (HPF) website and supporting systems which manages eligibility and enrollment for applicants for subsidized health coverage, including Medicaid and CHIP clients. The HPF operations costs generally qualify for 75 percent Federal Financial Participation (FFP), and 50 percent FFP for certain customer support services and general administrative activities.

## **Package Description**

This request will provide the funding needed to meet anticipated costs from the HBE for operating and maintaining systems and services that benefit the HCA’s clients for the remainder of fiscal year 2015. With the implementation of the Modified Adjusted Gross Income (MAGI)-based rules for Medicaid eligibility determinations, over 1.4 million HCA Medicaid and CHIP eligible clients now have their eligibility records maintained through the HPF website and the related systems that support the Medicaid and CHIP program eligibility and enrollment. In addition, new applicants for the Medicaid and CHIP health care coverage will continue to use the HPF website to apply for subsidized health care benefits provided under the Affordable Care Act (ACA). On an ongoing basis, the existing clients will access the HPF to update their client records when needed, receive correspondence generated by that system, and if help is needed, utilize the HBE operated customer support services Call Center.

Generally, the activities to be cost allocated to the Medicaid and CHIP programs result from a variety of the HBE administered activities that provide the HPF website functionality, client communications, customer support, and eligibility determination support services. The Medicaid and CHIP share of these costs are based on an allocation methodology that generally reflects the proportion of Medicaid and CHIP clients using the HPF system. Costs allocated to the HCA include: 1) the HPF-related Operations and Maintenance (O&M) costs (contractor based activities, the HBE staff, and software licensing fees); 2) Operating costs for the HBE Call Center; 3) Print Services (contractor managed correspondence services shared between the HBE and the HCA); 4) Imaging Services; and 5) certain In-Person Assistor/Navigator costs provided to the HPF applicants.

## **Status of Health Benefit Exchange Grant Funded Activities**

The HPF system was designed, in part, to operationalize the MAGI Medicaid eligibility rules. Therefore, a portion of the HBE design, development, and implementation (DDI) costs were cost allocated to the Medicaid and CHIP programs administered by the HCA. The DDI work by the HBE was funded through grants awarded by the Centers for Medicare and Medicaid Services (CMS) and the Centers for Consumer Information and Insurance Oversight (CCIIO). Washington received four grant awards including a Planning Grant, two Level One Establishment Grants and a Level Two Establishment Grant for a total of \$266 million. This funding was scheduled to end December 31, 2014 when the HBE is required to be “self-sustaining”. HBE recently stated that some grant funding may be available after December, 2014 and that some portion of these funds could be used to

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support operations during the second Open Enrollment in calendar year 2015. The timing and amounts of these newly available grant funds are not known at this time but could affect the estimates for additional funding in this request.

Most of the Level One and Two grant funding included cost allocation to Medicaid for a portion of DDI-related costs. As the HBE winds up the DDI phase of its operations, Medicaid cost allocation for these activities will end. Since it is anticipated this will occur prior to the beginning of state fiscal year 2015, this request includes no DDI-related cost allocation amounts.

#### **HealthPlanFinder Operations and Maintenance Costs \$1,402,000 (\$358,000 GF-State)**

The HBE operated HPF is a web-based portal used by persons applying for subsidized health coverage in the State of Washington. The HPF uses the MAGI Medicaid eligibility rules to adjudicate new applications for health coverage and the majority of Medicaid coverage groups are now subject to these new rules, including adult members of the Family, Children, Pregnancy programs, and adult clients with incomes up to 138 percent of the federal poverty level (FPL). These rules also form the basis for determining eligibility for subsidized health coverage through the Qualified Health Plans (QHP) administered by the HBE. As of July, 2014, over 1.2 million Washington residents have completed their renewal or enrolled in the Medicaid and CHIP through the HPF under the new MAGI-based rules.

The part of the HBE's operating expenses for the HPF service that is related to supporting the Medicaid and CHIP eligibility and enrollment can be cost allocated for purposes of claiming enhanced FFP. These allocated costs include contracted HPF and supporting IT systems maintenance services, certain licensing fees for software used by the HPF service, and the HBE IT staff time spent in supporting the HPF operations.

The modular architecture of the HPF provides the basis for determining the share of systems O&M costs charged to the Medicaid and CHIP programs. The HPF is designed using seven modules and of these, three are modules that provide functionality supporting the Medicaid and CHIP eligibility and enrollment. The initial share, then, of allocated HPF O&M costs is determined by applying a factor of 42.8 percent (3/7) to total O&M costs. System usage is the basis for the second step in the allocation methodology and this measure relies on reported enrollment data for the Medicaid, CHIP and QHP programs. Based on July 2014 reported enrollment, 88 percent of shared costs described above would be attributed to the Medicaid/CHIP programs with the balance (12 percent) attributed to the HBE QHP enrollee activity.

#### **The HBE Customer Support Call Center Costs \$2,545,000 (\$636,000 GF-State)**

Under federal rules governing state operated health insurance exchanges, the exchange must provide call center services. The HPF system requires ongoing customer support for persons applying for subsidized health coverage and for those enrolled who need to renew eligibility or make changes to their eligibility record. The HBE provides these call center services through a contract with Faneuil, Inc. This contractor provides the Customer Service Representative (CSR) resources who field calls from consumers seeking health care coverage through the HPF and who

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need assistance with system navigation or data entry for applications, renewals or changes of circumstance.

The HCA, in cooperation with the HBE, has developed a cost allocation methodology to identify HCA's share of Medicaid-related Call Center costs based on resource usage. The HBE will document incoming calls through their Contact Management System (CMS) according to subject matter (Medicaid/CHIP-related, Qualified Health Plan-related, or general Inquiries regarding health coverage options) and tally the number and length of the calls by these categories. These results will be the basis of an initial allocation calculation which determines percentage shares attributed to each category. The monthly billed costs for call center operations will then be apportioned according to the calculated percentage. Calls categorized as "general" will be apportioned using the reported enrollment data for the Medicaid, CHIP and QHP programs. (88 percent of Call Center "general" costs are attributed to the Medicaid/CHIP program usage and 12 percent to the QHP enrollee activity and other HBE-exclusive support activities).

#### **Correspondences - Print and Postage Services \$179,000 (\$59,000 GF-State)**

The HBE system contains programming and processes that generate automated notifications of required correspondences with applicants, enrollees, and other HBE business partners. Production and distribution of required correspondence is managed under a contract with KP Corp. Correspondences from the HBE are generally one of three types: 1) Medicaid-only; 2) joint Medicaid/Exchange mailings; or 3) HBE-only letters. There are 15 separate letters pertaining to client eligibility and enrollment that are generated as needed by the correspondences module of the HPF, with some that are Medicaid and CHIP specific and others that go to households with mixed eligibility status (e.g., parents are QHP enrollees while their children are CHIP enrollees).

The HBE incurs the total cost related to the print and mailing services contract. The HCA will reimburse the HBE for these costs, based on a periodic measure of actual usage (page counts).

#### **The HCA Managed Imaging Services \$152,000 (\$38,000 GF-State)**

The HCA provides document management and imaging services to the HBE for paper applications and supporting documents received from applicants for subsidized health care coverage, including Medicaid eligible persons. These services are provided by the HCA under the terms of the HCA/HBE Cooperative Agreement and related Service Level Agreement. The HBE is billed for the full cost of each month's services, determines the portion of imaged documents that are attributable to Medicaid applicants, and subsequently invoices the HCA for the resulting costs.

Implementation of the ACA in Washington began in October 2013. The forecasted increases in the Medicaid caseload were significantly underestimated, resulting in workload estimates that were also significantly below the actual workload experienced. Generally, forecasted caseload growth was exceeded by nearly 177 percent, contributing to far more paper-based applications being submitted by consumers. In addition, the HBE system has experienced issues during the course of implementation which resulted in more use of paper documents to apply for health coverage and

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verify eligibility. Specifically, individuals who cannot successfully complete an application online have instead submitted paper applications and required verification documents.

In the current fiscal year, the HCA is requesting additional funding to cover costs related to just the increased volume of imaging Services with no increase in FTE levels. The HCA is submitting a request for additional FTE and other resources for the coming 2015-2017 biennium to address the longer term risk of negative consumer impacts and federal review exceptions that could result from potential delays or inaccuracies in determining and verifying client eligibility for health coverage.

Questions related to this decision package should be directed to Steve Cole at (360)725-1473 or at [Steven.Cole@hca.wa.gov](mailto:Steven.Cole@hca.wa.gov).

### **Fiscal Detail/Objects of Expenditure**

	<b>FY 2015</b>	<b>Total</b>
<b>1. Operating Expenditures:</b>		
Fund 17T-1 Health Benefit Exchange	\$ 1,091,000	\$ 1,091,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 3,187,000	\$ 3,187,000
<b>Total</b>	<b>\$ 4,278,000</b>	<b>\$ 4,278,000</b>
	<b>FY 2015</b>	<b>Total</b>
<b>2. Staffing:</b>		
Total FTEs	-	-
	<b>FY 2015</b>	<b>Total</b>
<b>3. Objects of Expenditure:</b>		
A - Salaries And Wages	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -
E - Goods And Services	\$ 4,278,000	\$ 4,278,000
G - Travel	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -
Other (specify) -	\$ -	\$ -
<b>Total</b>	<b>\$ 4,278,000</b>	<b>\$ 4,278,000</b>

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	<b>FY 2015</b>	<b>Total</b>
<b>4. Revenue:</b>		
Fund 001-C GF-Federal Medicaid Title XIX	\$ 3,187,000	\$ 3,187,000
<b>Total</b>	<b>\$ 3,187,000</b>	<b>\$ 3,187,000</b>

## **Narrative Justification and Impact Statement**

### **What specific performance outcomes does the agency expect?**

Under the ACA, Washington State was required to implement the MAGI eligibility rules for individuals who are eligible for Family, Children and Pregnancy Medicaid. Maintenance and operations of the related IT and other systems supporting MAGI implementation is therefore also required. Failure to comply with the related ACA regulations could lead to sanctions to Washington's Medicaid program.

Implementing the MAGI methodology and integrating Medicaid with the Exchange has allowed individuals and families to apply for the health insurance affordability programs by using one streamlined and seamless application process, removing barriers to Washington residents who seek health coverage.

### **Performance Measure Detail**

#### **Activity Inventory**

H005 HCA National Health Reform

### **Is this decision package essential to implement a strategy identified in the agency's strategic plan?**

This request supports the HCA strategic plan by supporting sustained access to affordable health care and better health care outcomes by uninsured and under-insured Washingtonians.

A key metric in the HCA's strategic plan is implementation of Health Reform consistent with the provisions of the ACA. Funding for this request will support ongoing streamlined eligibility processing for nearly two-thirds of the existing Medicaid caseload through application of the MAGI rules as implemented in the Exchange.

### **Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?**

The implementation of Health Reform has had a significant impact towards ensuring that all individuals in Washington have access to affordable health care.

### **What are the other important connections or impacts related to this proposal?**

The mandatory implementation of the MAGI rules for Family, Children and Pregnancy caseloads has continuing support from the numerous Medicaid and CHIP program stakeholders including the hospital association, legal service community, migrant and rural health organizations, and community based organizations.

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Client advocacy groups, insurance carriers, the Department of Social and Health Services and the Office of Insurance Commissioner all are stakeholders with ongoing interest in successful operation of the HBE.

**What alternatives were explored by the agency, and why was this alternative chosen?**

Instead of choosing to use the Federally Facilitated Exchange as the system for operationalizing MAGI Medicaid eligibility in Washington, the State chose to pursue development of its own exchange. This decision resulted in a functioning and effective state-operated HBE that currently serves over 1.4 million health coverage program enrollees and the successful culmination of years of policy implementation efforts supported by bi-partisan legislation and funding.

This proposal is required to meet the requirements under federal cost allocation rules where benefiting programs (including Medicaid and CHIP) must participate in the expense of operating of an exchange. Under the CMS rules implementing the ACA, benefiting programs qualify for 75 percent FFP for IT system operations and maintenance, and 50 percent FFP for other supporting services. This proposal requests state funding and federal authority for those HBE operational costs which are expected to qualify under these rules.

**What are the consequences of adopting this package?**

Funding of this request will help ensure continued operation of the HBE systems that are now relied upon by the majority of Medicaid and CHIP clients for maintenance of program eligibility and by new, un-insured applicants seeking subsidized health coverage.

**What is the relationship, if any, to the state capital budget?**

None

**What changes would be required to existing statutes, rules, or contracts, in to implement the change?**

None

## **Expenditure and Revenue Calculations and Assumptions**

*Revenue Calculations and Assumptions:*

These estimates assumed federal grant funding for DDI work will end January 1, 2014 and that all subsequent allocations for federal claims will be tied to operational activities of the HBE. The HCA assumes that the HBE will adhere to the agreement resulting from the interagency workgroup that jointly developed the methodologies to be applied in determining each organization's shares of the HBE operational expenses to be cost allocated. The HCA assumes the cost allocation methodology will be approved by the CMS and that federal funding will be available for operational activities beginning October 1, 2014.

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*Expenditure Calculations and Assumptions:*

The HCA relied on the HBE budget estimates for the activities identified in this request for cost allocation during the remainder of state fiscal year 2015. The HCA assumes that estimates provided by the HBE for the functional areas described above are “the best available” values for purposes of this request. The HCA also assumes the final budget values from the HBE will not be available until later in the fall of 2014 and therefore, an updated fiscal estimate of the HBE costs will be required before the Governor’s budget is finalized. The HCA relied on June Caseload Forecast Council (CFC) Medical Assistance caseload draft forecast for determining proportional shares of the HBE versus the HCA allocated costs and assumes that projected expenditure changes based on the CFC Fall 2014 forecast numbers will also be needed.

Please refer to the attached Excel workbook for details regarding projection methodologies, source data and working assumptions used in developing the expenditure projections supporting this request.

**Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?**

*Distinction between one-time and ongoing costs:*

Operational costs for the HBE HPF and related systems and services should be considered ongoing.

*Budget impacts in future biennia:*

Operational costs included in this request will impact future biennia. Some remaining enrollment growth and inflation will affect the total costs of operating the Exchange. The HBE board decisions regarding assessments charged to plans for defraying the HBE operations costs in future periods can affect the amount of total costs allocated to Medicaid.